

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

• * * • *

In the Matter of:

AN ADJUSTMENT OF RATES OF DELTA)
NATURAL GAS COMPANY, INC.) CASE NO. 9331

O R D E R

The Commission issued an Order in this case on November 15, 1985, wherein it granted Delta Natural Gas Company, Inc., ("Delta") an additional \$451,946 in annual revenues. Upon a review of its working papers, the Commission has found that two errors were made which resulted in a deficiency in the revenue requirement found reasonable.

First, in an error of omission, the Commission failed to include the annual amortization expense associated with the amortization of the acquisition costs of Peoples Gas Company of \$21,859, and also failed to include amortization expense of \$15,194 annually for the amortization of an organizational and compensation study. Amortization of both of these expenses was included for rate-making purposes in Case No. 9059, An Adjustment Of Rates Of Delta Natural Gas Company, Inc.

The second issue in which the Commission erred was in the calculation of normalized income tax expense. The Commission erroneously excluded \$20,250 in income tax expense associated with the Federal surtax exemption on the first \$100,000 of corporate taxable income. The Federal surtax exemption of \$20,250 has been

eliminated by an additional tax of 5 percent on annual income between \$1,000,000 and \$1,405,000 for large corporations.

Based on the previous discussion, the Commission has determined that additional revenues of \$77,484 above those granted in its Order dated November 15, 1985, should be allowed. The additional revenues are determined as follows:

| | | |
|--------------------------------------|-----------------|------------------|
| Amortization of Acquisition Costs | \$ 21,859 | |
| Amortization of Organizational Study | <u>15,194</u> | \$ 37,053 |
| Surtax Exemption | \$ 20,250 | |
| Retention Factor | <u>• .50085</u> | <u>40,431</u> |
| Additional Revenues | | <u>\$ 77,484</u> |

IT IS THEREFORE ORDERED that:

1. The allowed revenues be increased by \$77,484 annually, based upon the findings herein.

2. The rates and charges in Appendix A shall, to the extent of their differences, supersede the rates authorized in the Commission's Order of November 15, 1985, and are hereby approved for service rendered by Delta on and after the date of this Order.

3. All other aspects not specifically mentioned herein of the Commission's Order of November 15, 1985, are hereby affirmed.

Done at Frankfort, Kentucky, this 19th day of December, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Heman, Jr.
Chairman

[Signature]
Vice Chairman

Did not participate
Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9331 DATED 12/19/85

The following rates and charges are prescribed for the customers served by Delta Natural Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

The following rates and charges have incorporated all changes through PGA Case No. 9059-D.

RATE SCHEDULES

AVAILABILITY

Available for general use by residential, commercial, and industrial customers who purchase their entire natural gas requirements from Delta.

RATES

| | <u>Base Rate</u> | <u>Gas Cost Recovery Rate</u> | <u>Total Rate</u> |
|-------------------------|------------------|---------------------------------------|-------------------|
| | plus | | equals |
| General Service | | | |
| Monthly Customer Charge | | | \$3.96 |
| 1 - 1,000 Mcf | \$2.0763 | \$3.7741 | \$5.8504 per Mcf |
| 1,001 - 5,000 Mcf | 1.9312 | 3.7741 | 5.7053 per Mcf |
| 5,001 - 10,000 Mcf | 1.6265 | 3.7741 | 5.4006 per Mcf |
| Over 10,000 Mcf | 1.3218 | 3.7741 | 5.0959 per Mcf |
| Interruptible (2) | | | |
| 1 - 1,000 Mcf | \$1.8223 | \$3.7741 | \$5.5964 per Mcf |
| 1,001 - 5,000 Mcf | 1.6773 | 3.7741 | 5.4514 per Mcf |
| 5,001 - 10,000 Mcf | 1.3725 | 3.7741 | 5.1466 per Mcf |
| Over 10,000 Mcf | 1.0678 | 3.7741 | 4.8419 per Mcf |